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U.S. CROPLAND RENTAL PRACTICES

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A recent survey indicates that the pattern for farm lease contracts between tenants and landlords follows traditional land rental arrangements. However, there is more evidence of lease negotiations. Contracts range from almost purely crop-sharing leases in the western wheat/summer fallow regions to almost purely cash leases in the New York and Pennsylvania dairy regions. The most common agreement on sharerented acres and the most common rental on cash-rented acres are summarized for 35 States.

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U.S. Cropland Rental Practices

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Extension farm management specialists, surveyed in 1978, identified the most common agreement on share-rented acres and the most common rental on cash-rented acres (table 1). Agreements were identified for 35 States in which grain, oil, and cotton crops are an important part of the agriculture. Lease information is provided for subregions in which a tenth or more of the land is devoted to major field crops.

A one-page mail questionnaire was sent to the head farm management specialist at each of 35 land-grant colleges and experiment stations. Some follow-up telephone calls were made. Some added information was obtained from recent brochures and bulletins on rental arrangements in several of the survey States (see references at end of this report).

For details on rental arrangements see table 1. Share agreements are predominant in the Western States, the ratio of share-to-cash leases decreases gradually as one moves eastward, and cash leases are dominant in the Eastern States.

Certain States in which grain crops, oil crops, and cotton are not an important industry were not included in the survey. Similarly, some subregions within the survey States were omitted if acreages of these crops were relatively insignificant. The lease arrangements in table 1 are the ones most commonly employed in the specified area.

Material presented here is used in the Firm Enterprise Data System (FEDS), Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, in making cost estimates covering the land charge. Land rental is generally the greatest single cost item for an operator renting all or part of the land. Even if the operator owns the land, it is necessary, for cost accounting purposes, to allocate an appropriate charge to the land input. The information provided should be useful to persons who employ farm budgeting as a tool in analyzing U.S. agriculture.

FACTORS AFFECTING RENTAL ARRANGEMENTS

Farm land-rental arrangements are increasingly being negotiated between tenant and landlord to arrive at mutually satisfactory arrangements. For example, when the tenant is given responsibility for establishing a stand of alfalfa (or where the existing stand is poor), the share to the owner may be a relatively small 20 percent of hay cuttings. If, on the other hand, the owner provides a field with a good existing stand, he may ask for a larger share, probably 25 percent. Similarly, a tenant may be asked for only a 20-percent share of a wheat, corn, or bean crop raised on irrigated land. But, if potatoes or sugar beets are grown, he may be asked to increase the landlord's share to 25 percent. Demands made on the land by the latter two crops are so depleting that these crops can be grown on the same field only once in 3 years. The landlord requires a higher rental to compensate for added loss of soil nutrients and soil structure when potatoes or sugar beets are grown.

Higher quality land usually brings a higher rental. In poorly drained regions of Michigan, for example, tiled land brings a higher rental return than untiled lands. Good central Corn Belt land commands \$100 in cash rental per acre, while droughty West Texas land may rent for only \$8 per acre. In certain Missouri and Minnesota crop-share agreements, the landlord does not share harvesting and hauling costs on

land valued around \$1,500 to \$2,000 per acre. On lower valued land, he does share in these costs.

Types of contracts range from almost purely crop-share leases in the western wheat/summer fallow regions to almost purely cash leases in the New York and Pennsylvania dairy regions. Rental arrangements involve varying degrees of risk assumed by the tenant. Where the tenant-operator is subject to crop losses from drought, hail, or other elements, a crop-share type of agreement in which the landlord shares in the risk is usually proposed. As the probability of crop loss decreases and as the operator is assured of a steady income (as in dairy farming), cash rent usually replaces most of the share-rent contracts.

Major movements in farm product prices also may have a bearing on the types of leases employed. There was a flurry of interest in cash rents in some wheat areas during 1974-75 when wheat prices climbed to high levels. North Dakota and Oklahoma were among the States in which some landlords tried to quickly replace conventional share agreements with a cash lease and thus capture a more equitable proportion of the higher returns from wheat acres. With a return to lower and more uncertain prices, cash rentals have been reduced (from \$50 per acre to \$25-\$35 per acre in Oklahoma). There may be a gradual shift back to crop-share agreements.

Another type of rental arrangement has surfaced, apparently in response to recent crop price fluctuations. It is a flexible cash-lease agreement in which the rental depends on the ultimate price for which the crop sells. In this arrangement, the landowner is assured of at least a specified minimum cash rent. If a predetermined share of the crop should bring more on the open market than the agreed upon minimum, the landlord receives the larger amount. Some flexible cash rental arrangements are found in Washington, Idaho, Oklahoma, Minnesota, Missouri, and Illinois.

TYPICAL RENTAL ARRANGEMENTS

The 1/3-2/3 share rental agreement was the most common lease reported by the survey respondents. For a one-third share of the crop, the landlord contributes the land input and often a share of other inputs. With this degree of flexibility in cost sharing, it is possible to negotiate agreements which allow for differences in quality of land, climate, and other factors. Generally, the greater the probability of incurring low yields or crop failures, the more the landlord tends to contribute toward cost sharing. In turn, this improves the chances for the tenant to earn a profit and, thus, remain in business.

Small grains and sorghum on western drylands tend to come under some variation of the 1/3-2/3 crop-share contract. The 1/4-3/4 agreement, in which the landowner usually contributes the land factor only, is also retained in some of the higher risk regions, especially in North and South Dakota.

In the humid East and on irrigated land, the present share agreements provide the landlord with anywhere from 20 to 50 percent of the crop returns. The landlord tends to share in the operating costs in about the same proportion as the receipts. Share-lease agreements in the East are less attuned to risk, and cash-rental arrangements become more common when such hazards as drought present less threat to the crop outcome.

The 50/50 share-lease agreement is the second most typical agreement being used. It is especially prevalent throughout most of the Corn Belt, where there is less chance that a tenant will earn an income too small for his business to survive. The question is more nearly one of the landlord earning an adequate return on his high-priced land. The bargaining positions may be as in the Minnesota and Missouri cases

quoted earlier: the landlord pays half the harvesting costs on lower valued land, but the tenant has to pay all harvesting costs on land with a higher market value.

The 1/3-2/3 lease becomes the dominant pattern along much of the outer rim of the Corn Belt. In two segments of this perimeter, there is a transitional type of share agreement—a 40/60 arrangement in which the landlord receives two-fifths of the crop and his contribution to costs is intermediate between the 1/3-2/3 and the 50/50 arrangements. The two segments are where the Northern Plains adjoin the Corn Belt and where the Mississippi River Delta region adjoins southern Illinois. In the first of these segments there is a distinct belt where the 40/60 lease is dominant; it extends through south-central and southwestern Minnesota, southeastern South Dakota, and along a three-county wide belt south through eastern Nebraska. On the other hand, in southern Illinois, the 40/60 arrangement does not dominate anywhere; it simply exists along with the 1/3-2/3 arrangement in the transition area.

Regions, State,		l rent acre	: Share-rent agreements: Items contributed by
and crop :	Share	Cash	: landlord in addition to the land :
WEST :	Percent	Dollars	
Washington: : Wheat-fallow region; : wheat : :	33		0-33 percent of fertilizer. In lc or term leases operator pays all expenses except f .e and hail in surance and costs of the chemicals for perennial weeds. In short-term leases, landlord pays a pro-
: : Palouse region; wheat, :			portionate share (same as his share of the crop) of the cost of fertilizer.
barley, peas	33	40-60	33 percent of fertilizer.
Columbia Basin; wheat, : corn, beans : : 0regon: :	20-25	55-85	Irrigation wells, pumps, power units, and distribution system.
Wheat-fallow region; : wheat :	33		0-33 percent of fertilizer.
Willamette Valley; : wheat, barley :	33	40-100	33 percent of fertilizer.
Irrigated land; wheat, : corn, beans :	25	100-120	Irrigation wells, pumps, power units, and distribution events.
Idaho: : Northern; wheat, barley,:			tion system.
peas :	33	30-60	33 percent of fertilizer.
Southern; grain :	33		33 percent of seed and fertilizer; irrigation wells, pumps, power units, and distribution system
; ; ;			In usual Pacific Northwest agreements involving irrigation, tenant pays electricity for water distribution.
California: : Sacramento Valley; :			
wheat, barley :	33		0-33 percent of fertilizer; 100 percent of irrigation wells and pumps.
sorghum :	25-33		Same as for wheat and barley.
rice :	33		0-33 percent of herbicides; 33 percent of fertilizer, insecticides, fungicides, custom application of chemicals and drying; 100 of canals.
San Joaquin Valley; : wheat :	20-25		Irrigation wells and pumps.
barley :	25-33		Irrigation wells and pumps.
cotton :	25		25 percent of ginning; 100 percent of irrigation wells and pumps.
:			Very little land in California is cash rented for grain and cotton crops.
See note at end of table.			Continued

Regions, State,	Annual per a		: Share-rent agreements: Items contributed by
and crop :	Share	Cash	: landlord in addition to the land :
:	Percent	Dollars	
: Arizona: Maricopa County; cotton:		125	
Pinal County; cotton :		45-60	Crop-share leases are rare in Arizona. Very little land, if any, is rented for small grains.
Southwestern; cotton, : vegetables		130-150	
GREAT PLAINS			
<pre>fontana: North Central; wheat, : barley :</pre>	33		0-33 percent of fertilizer; 33 percent of crop insurance.
North Eastern; wheat, barley	33		33 percent of crop insurance.
South Central; wheat, sharley	33		Landlord pays no crop insurance, but receives one-third of any insurance payments.
:			Number of cash leases relative to share leases are small, and cash rents vary considerably.
: Forth Dakota; grain, flax:	33	14-50	Usually none.
			50/50 crop share agreement is also used in north-eastern third of the State. Landlord contributes one-half of fertilizer, pesticides, combining and crop insurance, and all of seed. Crop returns are shared equally by the tenant and landlord.
South Dakota: : Western; wheat :	33	12-50	Usually none.
Northeastern; grain, flax	33	15-25	33 percent of fertilizer and chemicals.
Southeastern; corn :	50	35-75	Half of seed, fertilizer, pesticides, custom appli
			tion of chemicals and sometimes custom harvesting. The 1/4-3/4 sharing arrangement is also used on lesser quality land in North and South Dakota; lan lord usually contributes only land.
Hebraska: :			
Southwestern; wheat, : rye :	33	20	33 percent of fertilizer, insecticides, fungicides custom application of chemicals, hauling, and drying.
			Continued-

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State,	: Annua	l rent acre	: Share-rent agreements: Items contributed by
and crop	Share	Cash	: landlord in addition to the land :
NebraskaContinued	Percent	Dollars	
South Central: Dryland; corn, wheat, sorghum	40	40	40 percent of fertilizer, pesticides, custom application of chemicals, hauling, and drying.
Irrigated land; corn	: 40	100	Same as previous entry; 100 percent of irrigation wells and pumps; 40 percent of irrigation fuel.
Eastern; corn	: : 40	45	40 percent of fertilizer, pesticides, custom application of chemicals, hauling, and drying.
Southeastern; sorghum, wheat	: : 40	45	40 percent of fertilizer, pesticides, custom application of chemicals, hauling, and drying.
	:		Also 50/50 share-lease agreements for irrigated corn. Landlord pays 50 percent of seed, fertilize pesticides, hauling, drying, and irrigation fuel, and 100 percent of irrigation wells, pumps, power units, and distribution system.
Colorado: Eastern; wheat	: : 33		Usually none.
South Central; barley	: 33		Usually none.
Northeastern; corn	50 : 50		Half of fertilizer, pesticides, spraying, and harvesting (if custom done); 100 percent of irrigation wells, pumps, power units, distribution system; 0-100 percent of irrigation fuel.
Kansas:	:		
Western;	•		
wheat	: 33		33 percent of the fertilizer.
corn	50	65	All irrigation wells; half of fertilizer, pesticides, drying, irrigation pumps, power units, distribution system, and fuel.
Southwestern: Dryland; sorghum	: : : 33	15	33 percent of fertilizer.
East Central; wheat, sorghum	: : 33	28	33 percent of fertilizer and pesticides.
Eastern; wheat	: : 33	25	33 percent of fertilizer.
Southeastern; sorghum	: : 33	28	33 percent of fertilizer and pesticides.
soybeans	: : 33	30	33 percent of fertilizer and pesticides.
	•		Continued-

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State,		l rent acre	: Share-rent agreements: Items contributed by
and crop		•	: landlord in addition to the land
	Share	Cash	:
	Percent	Dollars	
Oklahoma:	:		
Western;	:		
wheat, barley,	: 33	25-35	33 percent of fertilizer and pesticides.
sorghum, corn		(In the wh	neat
cotton	25		$25\ \mathrm{percent}$ of fertilizer, pesticides, and ginning.
dryland peanuts	25		25 percent of fertilizer, pesticides, combining, drying, and hauling.
irrigated peanuts	40		40 percent of fertilizer, pesticides, combining, drying, and hauling; all of irrigation water, pump, and motor.
Eastern;	•		
soybeans	33		33 percent of fertilizer and pesticides.
55) Built			of percent of referring and people action
sorghum	33		33 percent of fertilizer, pesticides, and combining
ſexas:	:		
High Plains; wheat,	:		
sorghum :	-	8	33 percent of fertilizer, insecticides, fungicides custom application of chemicals, harvesting, hauling, and drying.
-:			
Dryland; cotton	25		25 percent of fertilizer, insecticides, fungicides custom application of chemicals, and ginning; 100
Irrigated; cotton	25	25	percent of irrigation wells and pumps.
Polling Plaines wheet			
Rolling Plains; wheat, sorghum	33	8	Como os High Dlains
SOLGIUM		0	Same as High Plains.
Dryland; cotton	25	12	Same as High Plains.
Irrigated; cotton	25	25	Same as High Plains.
Blackland;			
wheat, sorghum	33	12	Same as High Plains, except drying is not needed.
cotton	25	15	25 percent of fertilizer, insecticides, fungicides custom application of chemicals, and ginning.
Coastal Bend;			
sorghum	33	20	Same as in Plains and Blackland.
301 gildin		20	Dame as in riains and DidCkland.
cotton	25	25	25 percent of fertilizer, insecticides, fungicides custom application of chemicals, and ginning.
rice	14		14 percent of fertilizer, pesticides, custom application of chemicals, harvesting, hauling, drying,
			irrigation pumps, and irrigation fuel.

Regions, State,	Annua per a	l rent acre	: Share-rent agreements: Items contributed by	
and crop	Share	Cash	: landlord in addition to the land :	
CORN BELT	: Percent	Dollars		
Minnesota: Western; wheat, barley, oats, flax	: : : : 33	45	33 percent of fertilizer and herbicides; 0-33 percent of insecticides, fungicides, custom application of chemicals, and handling.	
sunflowers	: 33	50	Same as wheat, plus 0-33 percent of drying.	
Southern; corn, soybeans	: : 50 :	70-100	Half of seed, fertilizer, pesticides, application of chemicals; shares in harvesting of lower valued land; usually all of fuel and power for drying corn	
	:		In 50/50 agreements, tenant usually makes the first corn or soybean haul. Landlord pays share of later hauls.	
Southeastern; oats	50 :	60	Half of seed, fertilizer, pesticides, and custom application of chemicals. Tenant usually provides first haul; then sharing.	
Iowa:	:			
Western;	:			
corn	: 50 :	75	Half of seed, fertilizer, pesticides, and drying for corn; 0-50 percent of hauling.	
soybeans	50	70	Same as corn.	
oats	50		Half of seed, fertilizer and pesticides; 0-50 percent of the harvesting and hauling.	
Central;	:			
corn	: 50	98	Half of seed, fertilizer, and pesticides; 0-50 percent of hauling.	
soybeans	50	85	Same as corn.	
Eastern;	:			
corn	: 50 :	90	Half of seed, fertilizer, pesticides, and corn drying; 0-50 percent of hauling.	
soybeans	50	85	Same as corn.	
oats	50		Half of seed, fertilizer, and pesticides.	
	:		Wide variation in cash rentals, because of differences in soil types and yield potential.	
Missouri:	:			
Northern;	:			
corn, soybeans	: 50 :	50	Half seed, fertilizer and spreading, and pesticides and spreading; cash costs of corn drying.	
wheat	: 50 :	35	Half of seed, fertilizer, insecticides, fungicides, and custom application of chemicals.	
	•		Continued	

Regions, State, and crop	Annual per a		: Share-rent agreements: Items contributed by : landlord in addition to the land :
	: Percent	Dollars	
Missouri (continued)	:		On land valued from \$1,500 to \$2,000 per acre, landlord does not share harvesting and hauling costs; on lower valued land, shares in these costs.
Bootheel; soybeans	33	50	33 percent of fertilizer, insecticides, fungicides, and irrigation fuel; operating costs of wells and pumps for use with center pivot system.
cotton	: : 25	40-70	25 percent of lime, fertilizer, insecticides, fungicides, and ginning.
Wisconsin:	:		
Southern;	:		
corn, soybeans	: 50 :		Half of seed, fertilizer, pesticides, harvesting, hauling, and drying.
oats	50		Half of seed, fertilizer, pesticides, custom application of chemicals, and grass seed.
Illinois:	:		
Northern;	:		
corn	50 :	80	Half of seed, fertilizer, pesticides, and drying; 25 percent of custom application of chemicals; 25 percent of harvesting; 10 percent of hauling.
soybeans	: : 50 :	80	Half of seed, fertilizer, and pesticides; 25 percen of custom application of chemicals; 40 percent of harvesting; 10 percent of hauling.
oats	: : 50	70	Half of seed, fertilizer, and pesticides; 100 percent of legume and grass seed.
Central;	:		
corn	: 50	90	Half of seed, fertilizer, pesticides, and drying; 2 percent of harvesting.
soybeans	: 50 :	90	Half of seed, fertilizer, and pesticides; 35 percen of harvesting.
wheat	: : 50	90	Half of seed, fertilizer, and pesticides; 35 percen of harvesting.
Southern	:		
Southern; corn	33	45	33 percent of fertilizer, insecticides, and fungicides; 20 percent of herbicides.
soybeans	: : 33 :	40	33 percent of fertilizer, insecticides, and fungicides; 16 percent of herbicides.
wheat	: : 33 :	40	33 percent of fertilizer, insecticides, and fungicides; 16 percent of herbicides; 50 percent of legume and grass seed.
	:		
	:		

Regions, State,	: Annual		: _: Share-rent agreements: Items contributed by
and crop	Share	Cash	: landlord in addition to the land :
	: Percent	Dollars	
Michigan:	:		
Southern;	:		
corn	: 33	35	Usually none.
soybeans	33	30	Usually none.
wheat	: 33	25	Usually none.
			Cash rental for corn is higher than for soybeans, because area includes the Saginaw Valley for corn; few soybeans are grown in this productive valley.
Indiana:	:		
Northern;	:		
corn, soybeans	: 50 :		Half of seed, fertilizer, pesticides, and drying; 0-50 percent of custom application of chemicals and
			harvesting. The tenant hauls from field to bin or elevator; if stored, the landlord pays around 5 cents per bushel on his one half to haul from bin to elevator.
wheat	: : 50		Half of seed, fertilizer, insecticides, fungicides and drying; 0-50 percent of custom applications of
	:		chemicals and harvesting.
Southern;	:		
corn, soybeans	: 50		Same as northern Indiana.
wheat	50		Same as northern Indiana.
21- 4			
)hio:			
Western;		7.5	W-16 6 1 Com (1/2) 1 1 / 1 / 1 1 1
corn	: 50	/5	Half of seed, fertilizer, herbicides, harvesting, and drying.
soybeans	: : 50	75	Half of seed, fertilizer, herbicides, and harvesting.
wheat	: 50	75	Half of seed, fertilizer, and harvesting.
MIDSOUTH	:		
Kentucky:	•		
Western;			W-16 -6
corn	: 50 :	65	Half of seed, fertilizer, pesticides, custom appli- cation of chemicals, and drying.
soybeans	: 50	60	Same as corn.
	:		
	:		
	:		Continued

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State,	: Annual rent : per acre		: Share-rent agreements: Items contributed by
and crop	Share	Cash	: landlord in addition to the land :
	: Percent	Dollars	
Arkansas:	· rereent	2011010	
Eastern;	:		
soybeans	: 25	28-35	None.
cotton	: 25	45	25 percent of seed, fertilizer, and ginning.
rice	: 33 :	65-110	33 percent of seed, fertilizer, and pesticides; plirrigation wells, pumps, and power units.
Tennessee:	:		
Western;	:		
soybeans	: 25 :	35	None.
cotton	: 33	40	33 percent of fertilizer and ginning.
Mississippi:	:		
Delta;	:		
soybeans	: 20 :	30	None.
cotton	: 25 :	55	25 percent of seed, fertilizer, and ginning.
rice	: 25 :	50	100 percent of irrigation wells, pumps, power unit and distribution system.
Northeast;	:		
soybeans	: 25 :	25	25 percent of seed and fertilizer.
cotton	: 25 :	40	25 percent of seed, fertilizer, and ginning.
	:		There is only a small amount of rice produced on rented land.
Alabama:	:		
Northern;			
soybeans	: 25	22-35	25 percent of seed, fertilizer, and herbicides.
cotton	: 25 :	25	25 percent of fertilizer and ginning.
Louisiana:	:		
Northeastern;	:		
soybean	: 25 :	35-45	None.
cotton	: 20 :	60-75	None.
Southwestern; rice	: 20 :	60-70	20 percent of water (if water is bought).
Southern; sugar-cane	: 20 :	75–90	None.
NORTHEAST	:		
New York:	:		
Area of Lake Ontario; corn, wheat	: : :	15-40	
	:		
			Continued

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual per Share	rent acre Cash	: Share-rent agreements: Items contributed by landlord in addition to the land
	: :::::::::::::::::::::::::::::::::::::		:
Pennsylvania:	Percent	Dollars	
Southeastern; corn	33	40-45	33 percent of fuel bill.
wheat, oats, barley	33	20-25	33 percent of fuel bill.
	•		Most of Pennsylvania is cash rented.
Maryland: Eastern Shore; corn, soybeans	: : 50	35	Half of seed, fertilizer, and herbicides; 100 percent of lime.
Delaware; corn, soybeans	50 :	45-62	Half of seed, fertilizer, lime, pesticides, harvesting, hauling, and drying.
SOUTHEASTERN	:		
Virginia: Coastal Plains;	•		
corn	50	20-120	Half of seed, insecticide, fungicides, and drying; 100 percent of fertilizer.
soybeans	50	15-90	Half of seed, insecticides, and fungicides; 100 percent of fertilizer.
North Carolina: Coastal Plains;	•		
corn	: 33 :	50	33 percent of seed, fertilizer, insecticides, fungicides, harvesting, hauling, and drying.
soybeans	33 :	50	33 percent of seed, fertilizer, insecticides, fungicides, custom application of chemicals, harvesting, and hauling.
cotton	40	40	Half of pesticides, harvesting, hauling and ginning 100 percent of seed and fertilizer. Little cotton is cash rented.
West Central; wheat	: : 25	15	100 percent of lime.
South Carolina: Coastal Plains;	•		
corn	: 50 :	26	Half of phosphorus, potassium, pesticides, and drying; 100 percent of seed, nitrogen, and lime.
soybeans	: : 50 :	26	Half of seed and fertilizer; 100 percent of pesticides and lime.
cotton	: 20	40-50	None
	:		Landlord and tenant each contribute about \$100 for corn production and \$83 for soybean production. This agreement is the one most commonly recommended not necessarily the most commonly employed.
	:		Continued

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	: Annual rent : per acre		: Share-rent agreements: Items contributed by
	Share	Cash	: landlord in addition to the land :
	: : Percent	Dollars	
Georgia:	· ICICCIIC	DOTTALS	
Coastal Plains;	:		
corn	:	40	Share arrangements for the limited acreage share- rented are varied and difficult to ascertain. Ther
soybeans	:	30	are many family-related situations and other peculiar arrangements that defy description.
cotton	:	40	
Alabama:	:		
Coastal Plains;	:		
corn	: 33	10	33 percent of fertilizer.
soybeans	25	20-40	25 percent of seed, fertilizer, and herbicides.

Where there are no entries in the cash rental column, no data were available. Either there had been no instances of cash rental agreements, or the survey respondent was unable to supply a rate estimate.

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